Sustainability report

HONKAJJKI[®] wealth by recycling

INTRODUCTION

Sustainability as the cornerstone of our operations

The sustainability report for 2019 is published at a very unique time in modern history. Little did we know at the beginning of 2020 what kind of epidemic would test the whole world this spring. It is hard to say or even guess how the situation will develop in the future, but the global pandemic has shown its capability, and we have all been forced to adapt to the situation. It is impossible to say how many lives have been at stake and how many people's livelihood has been at risk, not to mention when we can return back to (the new) normal, or how deep the economic downturn will be after the epidemic. Companies everywhere are taking care of their employees and making plans to minimize operational risks. At the moment, people's health and stopping the disease from spreading are naturally also our highest priorities here at Honkajoki Group.

For the Honkajoki Group, responsible business operations mean being responsible for our employees during the crisis but also doing systematic work to slow the progress of climate change even during these troublesome times. The report on land use (2019) by the Intergovernmental Panel on Climate Change (IPCC) shows that stopping the use of fossil fuels will not be enough in itself, and profound changes must be made as regards land use. Human action can make a difference and determine whether soil can act as a carbon sink or only as an emission source. The cycling of nutrients is one of nature's ecosystem services that preserve and promote human well-being. We use approximately 72% of the world's surface area that is not under an icecap. At the same time, agriculture, forestry and other ways of using land produce nearly a quarter of all the emissions.

The Honkajoki Group's operations grew steadily in 2019, not as significantly as in 2018, though, because it was the first operational year of the new processing line, and the amount of raw materials almost doubled. We have focused on developing our operations and end-products over this year. Overall, developing end-products, modernizing operations, developing energy efficiency and becoming more international have been our focus areas for 2019. These trends will guide our business activities also in the upcoming years. We want to invest in high quality, and continue being one of the global pioneers in our field. The situation in the downstream market is expected to become more unstable in 2020. Most importantly, the wide African swine fever epidemic in China and Southeast Asia will significantly decrease the demand for various protein meals. In addition, the spread of the human coronavirus creates uncertainty in the markets while peoples' free movement is limited to protect their health

The most essential practical steps in fighting soil degradation are minimizing resource waste, reducing food waste and using environmentally friendly technologies. We in the Honkajoki Group are working hard to preserve biodiversity, promote the circulation of nutrients and to protect the environment. These are our main themes in this year's sustainability report.

INQUIRIES CONCERNING CORPORATE RESPONSIBILITY AT HONKAJOKI:

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CEO'S REVIEW FOR 2019

Safe solutions for the climate and the environment

One of Honkajoki corporation's goals is to develop solutions to halt and combat climate change. In 2019, Honkajoki Oy completed the Honkajoki® concept which we have developed actively for approximately three years. The concept will provide a Honkajoki® solution for developing markets, where the processing methods for raw materials of animal origin are still inadequate. The concept is also an opportunity for our clients to build sustainable and viable businesses from animal by-products, not to mention the concept's significant impact as regards public health and the global situation with animal epidemics. We founded the technology company GMM Finland Oy for project operations. It is a subsidiary of Honkajoki Oy (owned 100% by Honkajoki Oy) that will be responsible for the projects and the export of the concept. The content of the first supply contract has been drafted, and our goal is to launch the first project in 2020.

GMM Finland Oy's operations will have their basis in a solid network of expertise and decentralized action. We have gained considerable experience of this new approach after the coronavirus reached Finland as well. The coronavirus (COVID-19) epidemic has made it very clear how infectious diseases can become a significant threat to our society and economy in a very short period of time. The animal feed industry has previously been forced to take precautions against diseases like the African swine fever (ASF). Its effects on the meat industry would be considerable if the disease ever spread to Finland as an epidemic. It is important to note that virus diseases do not spread just from animals or farmers, but also from company visitors, or truck tires. Therefore, heavy investments into ensuring biosafety are essential, including (or perhaps particularly) during disease free periods. Honkajoki Oy is part of the Finnish government's security of supply chain that must also be maintained in times of crisis. The company must always be ready to receive raw materials and to process them into safe end-products. This ensures the continuity of Finnish food production and self-sufficiency. After the coronavirus came to Finland, Honkajoki Oy made a significant digital leap that affected our practical routines immensely. We have succeeded in adapting to this new situation thanks to our committed and professional personnel. Our entire operation has practically been decentralized. The factory is being supervised remotely, and our office workers have stayed at home. Contingency arrangements have been made at the factory to prevent contagion and to secure our operations. This experience will benefit the future operations of GMM Finland Oy.

"AFTER THE CORONAVIRUS CAME TO FINLAND, HONKAJOKI OY MADE A SIGNIFICANT DIGITAL LEAP THAT AFFECTED OUR PRACTICAL ROUTINES IMMENSELY. WE HAVE SUCCEED-ED IN ADAPTING TO THIS NEW SITUATION THANKS TO OUR COMMITTED AND PROFESSIONAL PERSONNEL."

The emissions and the carbon footprint of corporations and industrial operators have been a popular topic of public conversation in the last few years. Last year we calculated our own footprint and identified our production's most significant emission sources. We will take our findings into consideration in all future strategies and management work. Our solutions regarding climate strategy will consider the wider context and evaluate its effect on different stakeholders and the environment. In addition to the production's emission calculations, we have made a life cycle assessment on Poultry Protein and Porcine Protein. The calculations have been certified in accordance with the ISO 14040/44 standard. They include all the effluents that are used in product production. The ISO 14044/44 standard is a globally used guideline for conducting life cycle assessment. Our long-term goal is to be able to provide our customers with a carbon neutral end-product.

The results have been encouraging and positive overall. Porcine meal production from pig by-products at Kaustinen has a carbon footprint of 174 kg CO2e/tn *, which replaces the commonly used soy as a protein source in feed production. According to expert calculations, soy has a carbon footprint of over 3,000kg CO2e/t**. It is worth noting that most of the proteins imported into Finnish markets are soy. Honkajoki Oy produces Finnish proteins of animal origin that have protein content of 60-69% depending on the product, and they contain in addition various essential minerals. The protein content of soy is about 42-44%, and it does not include the necessary minerals. Therefore, 1.5 times more soy is needed in comparison to protein of animal origin, in addition to the additives which increase the environmental load of animal feed even more. Furthermore, proteins of animal origin are more efficiently used because they have better digestibility than plant proteins. Finnish agriculture would be able to increase self-sufficiency as regards animal feed proteins significantly, but these kinds of decisions require support from the legislators of Finland and the European Union. In addition to achieving self-sufficiency in proteins, the use of Finnish proteins in general would increase business activities in Finland and reduce the global greenhouse gas emissions that come from the production of animal feed. Decreasing the amount of emissions should be considered in all business operations and political decision-making.

*Calculation include production steps A1-A3 **Calculations include soy production stages A1-A3

HONKAJOK Kari Valkogalo

SOCIAL RESPONSIBILITY

Responsible business in a changing world

Creating and publishing a corporate responsibility report is a strategic decision for the Honkajoki Group in order to provide information to our stakeholders. Responsibility guides our operations. We want to openly communicate our successes and our focus for further development. This report compliments our statutory statement of accounts, and its purpose is to provide a wider perspective on our corporation's influence on the surrounding society.

Honkajoki Group's corporate social responsibility consists of two important entities: responsibility of our stakeholders and environmental responsibility. Social responsibility means responsibility for our employees, staff and our customers. For us environmental responsibility translates into considering the environment in all our operations. It is clear, however, that without financial stability hiring employees or developing business operations in an increasingly environmentally friendly direction would be impossible. Thus, profitability and competitiveness are important objectives with people and the environment at their core.



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VALUES AND OPERATING PRINCIPLES

We are committed to delivering high-quality, responsibly produced products and services at competitive prices. Reliability, honesty and responsibility are included in all our activities, and we adhere to the highest level of ethics even when the law does not set a framework. We expe-

ct the same approach from our partners. We are also dedicated to the construction of a safe, responsible and equal community both within and outside of our organization.



SOCIAL RESPONSIBILITY

Objectives for 2017-2020

We have set the following objectives for the Honkajoki Group for 2017-2020. In this report, our purpose is to describe how these objectives are being met and to evaluate their success.



QUALITY AND BUSINESS

- Improving product and service development
- Improving the competitiveness of the company
- Development of risk prevention
- Development of analytics and monitoring
- Strengthening production quality
- Development of communications



ENVIRONMENT AND ECOLOGY

- Management of the phosphorus content, energy consumption and temperature of the wastewater treatment plant
- More efficient sorting of waste
- Chemical safety
- Improving the quality of raw materials
- Reducing energy consumption



OCCUPATIONAL SAFETY AND HEALTH

- Implementation of a survey for comprehensive well-being at work
- Reducing the number of occupational accidents
- Reducing sickness absences

SOCIAL RESPONSIBILITY

Ethical principles and human rights

The Honkajoki Group's Code of Conduct specifies the common operating models for the Group's business. These models are based on the group values and international agreements. The Code of Conduct determines the right way to act, even when there is no legislation in place in that particular matter.

We require that our subsidiaries and employees adhere to and respect this Code of Conduct regardless of their position or responsibilities. We also expect that our partners and customers comply with this Code of Conduct. The Group's management is committed to regularly reviewing the general principles of the Code and being responsible of the compliance and implementation of the Code in the Group's offices.

THE BOARD OF DIRECTORS IN 2019 CONSISTED OF THE FOLLOWING MEMBERS
MIKA ALA-FOSSI, CHAIRMAN
MATTI PERÄLÄ
JUHA RUOHOLA
JANNE LEPPÄNEN

We treat employees and applicants in accordance with the national labour law and collective agreements. We also expect our employees to treat everyone fairly and with respect. The Honkajoki Group adheres to the universal human rights defined by the UN Declaration of Human Rights. We do not accept child or forced labour, wage slavery, coercion to work, modern slavery or inhuman treatment. We do not tolerate any acts that refer or encourage discrimination, physical punishment, sexual harassment, or other psychological or physical violence. In our business, we always comply with applicable international, national and regional laws and regulations. We operate on the basis of the guidelines of the Organization for Economic Cooperation and Development (OECD) and the International Labor Organization's (ILO) Convention. We are also committed to operating according to the Rules on Combating Corruption of the International Chamber of Commerce (ICC). We make commercial decisions on a commercial basis, and do not accept corruption in any form.

ACREEMENTS THAT THE CROUP IS COMMITTER

TO IN ITS OPERATIONS	
THE ORGANISATION FOR ECONOMIC COOPERATION AND DEVELOPMENT (OECD) GUIDELINES	
INTERNATIONAL CHAMBER OF COMMERCE ICC'S RULES ON COMBATING CORRUPTION	
CONVENTION OF THE INTERNATIONAL LABOUR ORGANISATION (ILO)	
HUMAN RIGHTS DETERMINED BY THE UN'S INTERNATION CHARTER OF HUMAN RIGHTS	

We also follow the United Nations Environment Program, UNEP. Founded in 1972, The United Nations Environment Program (UNEP) is a global environmental authority that sets the global environmental agenda, promotes the coherent implementation of the environmental dimension of sustainable development within the United Nations system, and serves as an authoritative advocate for the global environment. Its activities include climate change issues, natural disasters and conflicts, ecosystem management, environmental policies, chemicals and waste as well as sustainable development and general monitoring of nature and the environment. (UNEP 2017.)

Economic responsibility

The Honkajoki Group has direct and indirect economic impacts in Finland and in local regions in the immediate vicinity of its facilities. When the company is financially strong, it can better respond to any stakeholder needs and to ensure its obligations are met and take care of the environment as well as support public interests in society. We include these reporting aspects into the section of economic responsibility.

We support social welfare by paying correct taxes. Paying taxes and parafiscal charges is a means of supporting the administration of society and its services.





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KEY FIGURES IN 2019









PERCENT

RAW MATERIAL VOLUM 173 322 TONNES INCREASE IN RAW MATE-RIAL VOLUME

PERCENT

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ECONOMIC RESPONSIBILITY

ASSOCIATIONS AND LOBBYING ORGANISATIONS IN WHICH THE HONKAJOKI GROUP IS INVOLVED

EUROPEAN FAT PROCESSORS AND RENDERERS ASSOCIATION EFPRA FIBS RY	SATAKUNTA CHAMBER OF COMMERCE THE FINNISH ASSOCIATION
(CORPORATE RESPONSIBILITY NETWORK OF FINLAND)	FOR BIOLOGICAL WASTE TREATMENT
THE TAXPAYERS ASSOCIATION OF FINLAND (TAF)	THE SCIENTIFIC AGRICULTURAL SOCIETY OF FINLAND WORLD ENERGY
THE FINNISH FOOD AND DRINK INDUSTRIES FEDERATION (ETL)	COUNCIL FINLAND RY
REGISTERED ASSOCIATION FINNISH-RUSSIAN CHAMBER OF COMMERCE	THE FEDERATION OF FINNISH ENTERPRISES
(FRCC)	

KEY FIGURES FOR THE YEAR 2019

FINANCIAL PERFORMAN	CE	€
Net sales	40 312 330	С
Operating profit	1 373 561	
SOCIAL CONTRIBUTIONS	2	
VAT	686 875	
Property tax	50 564	
Direct taxes	384 632	
Public charges for vehicles	4 080	
Withholding taxes from wages/ wage taxes	1 183 846	

STAFE EXPENSES	£
STATT EXTENSES	C
Salaries and wages	4 784 763
Pension costs	902 192
Other indirect staff expenses	180 924
Health insurance contributions	37 604
Group life, accident and unemployment insurance fees	174 400

PAID TO OWNERS	€
Dividends	765 000
PURCHASES	
Materials, supplies, goods	17 549 400
DONATIONS PAID	
Total donations given	33 615
DONATIONS RECEIVED	
State grants	355 190

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Environmental responsibility

The greatest impact from our business is how it clearly affects the environment. The over-arching principle for the Group's environmental responsibility is the constant evaluation and development of our operations. The major environmental aspects of our operations, their impacts, risks and possibilities have been identified, and we have set targets that we actively monitor.

In addition to energy solutions that decrease the environmental burden, the Honkajoki Group's environmental policy includes preservation and support of biodiversity, in other words it has a biodiversity outlook. The safe return of waste generated by human activities to the nutrient cycle is an integral part of a bio- and circular economy. We work to preserve natural capital as meticulously as we work on increasing economic capital.

The preservation of biodiversity has been registered as a global objective in the UN's sustainable development goals 14 and 15. In these goals, governments, companies and citizens are encouraged to manage and safeguard life on land and in oceans in a sustainable way. We at Honkajoki are committed to all of the sustainable development goals of the UN at a group level. We will therefore focus on and develop internally these key objectives for the operations in 2019 through the following goals:



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SDG 2: ZERO HUNGER

The Honkajoki Group is part of the Finnish food production chain. We collect sidestreams from the animal-based food production and process them into protein fractions for animal feed. We also separate and purify the fat to produce biofuels or for raw materials for animal feed. Thus we ensure that the organic raw materials are kept in the nutrient cycle and returned to nature. We offer high-quality and clean raw materials for the animal feed industry to promote animal welfare.



SDG 6: CLEAN WATER AND SANITATION

In our production, we utilize clean water, of which we have plenty in Finland. Despite this fact, we aim to use tap water sparsely in our production. An important part of environmental responsibility is to clean all waste water thoroughly in our own wastewater treatment units. After this we release the treated water back to nature. The Honkajoki unit also processes the wastewater of Lihajaloste Korpela Oy. Thus we do not burden the small Honkajoki municipal wastewater network.



SDG 7: AFFORDABLE AND CLEAN ENERGY

The Honkajoki Group produces purified fat for the markets. This fat replaces fossil fuels and increases the amount of renewable energy in the markets. In 2019, we joined the Motiva energy efficiency program for the renewal period and we have actively continued to take actions, the goal of which is to save energy and invest in themes that strengthen energy efficiency. The contract term is 5 years. A part of the required energy we need comes from renewable sources. Our long-term goal is to significantly increase the portion of renewable energy in thermal energy production.



SDG 8: DECENT WORK AND ECONOMIC GROWTH

We comply with Finnish legislation, EU standards, the ILO Convention, and the universal human rights defined by the UN Declaration of Human Rights. We guarantee our staff the benefits and rights defined by legislation and the general collective agreement. We support our employees' health with versatile health and welfare services and offer health insurance to our regular employees. This provides additional insurances in case our employee falls ill or faces an accident.



SDG 9: INDUSTRY, INNOVATION AND INFRASTRUCTURE

Our circular economy concept recycles resources efficiently and promotes sustainable industry and the introduction of clean energy. Through research, product development and technological innovations, we are actively developing the Honkajoki® concept in collaboration with various parties. This year, we started a major development project, that aims to develop a data collection and reporting system for production and logistics systems based on cloud servers and data aggregation tools.



SDG 12: RESPONSIBLE CONSUMPTION AND PRODUCTION

When building sustainable urban and rural communities, we need to consider sustainable food production and the derived industrial effluents. Unprocessed by-products derived from animals are potentially hazardous to the environment. However, they also contain valuable components that can be utilized. The Honkajoki Group is an important part of responsible food production in Finland and we continuously strive to develop our business to better utilize the raw material we receive. To develop our own operations, we have established a life-cycle assessment for two of our products according to the ISO 14044/44 standard. We have also implemented an emission calculation program that enables us to calculate and monitor our carbon footprint.



SDG 13: CLIMATE ACTION

The need for the Honkajoki® concept is evident due to the estimations, which indicate that global meat consumption will double during the years 2000 and 2050, mainly due to population growth and the rise of the middle classes in developing countries. The Honkajoki Group wishes to contribute to climate actions and participate in solving treatment and processing issues of waste derived from animals. The Honkajoki concept® exporting efforts are in full swing. In order to deepen and improve the concept development, we have invested in carbon footprint calculations and a comparative study.

SDG 15: LIFE ON LAND

The Honkajoki Group has the objective to ensure that the organic material generated by the meat industry is utilized fully and no resources are wasted in the process. The key policies preventing land degradation are ending the waste of resources, decreasing food loss and the implementation of green technologies. We in the Honkajoki Group work hard in order to preserve biodiversity, and to promote circling of nutrients in order to protect the environment.



SDG 17: PARTNERSHIPS FOR THE GOALS

The Honkajoki Group operates in a versatile and comprehensive way on a national and international level in different cooperation networks and partnerships with several actors in different fields, including research bodies. Cooperation with different stakeholders is important to us and we constantly aim to develop our expertise. The Honkajoki concept is a multidisciplinary approach that enable us to cooperate with different sectors. We have approximately 120 partners in our subcontractor network just in Finland.

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ENVIRONMENTAL RESPONSIBILITY

Received raw materials

More than 250,000 tonnes of sidestreams of animal origin is generated annually in Finland as a by-product of the meat industry. The majority of all generated by-products in the Finnish meat industry is processed in the Honkajoki Group's production facilities. The Honkajoki Group processes 70% of all by-products derived from animals in Finland.

The headquarters of the Honkajoki Group is located in a small town called Honkajoki, in the northern Satakunta region of Finland. The largest production unit of the Group is also located at the same address in Santastentie. Another production unit is located in Kaustinen, in Ostrobothnia in Finland. Expert work has been increasing in the Group during 2019. As a result, we opened an office in Turku and have plans ready for an office in Tampere during 2020.

Received raw materials are handled according to the EU and Finnish legislation. The Honkajoki Group has two facilities in Finland processing raw materials of animal origin. The headquarters of the company is located in Honkajoki. The Honkajoki Group has two facilities processing raw materials of animal origin. The Honkajoki production facility processed around 87% of all raw materials. The second facility is located in Kaustinen, in which we processed 13% of raw materials received by the Group.

The total amount of animal by-products received at the Honkajoki production unit increased by 13.2% in 2019 compared to the previous year, amounting to 132,828 tonnes. The processing volume of category 2 by-products increased by 12.6% to 59,347 tonnes and the processing volume of category 1 by-products decreased by 13.3% to 20,953 tonnes. The processing volume of category 3 by-products was 52,528 tonnes. In 2019, the total amount of category 3 animal by-products received at the Kaustinen production unit decreased by 13.7% compared to the previous year, amounting to 22,613 tonnes.



PRODUCTION FIGURES HONKAJOKI OY

Category 1	20 953tn
Category 2	59 347tn
Category 3 bovine	3 500tn
Category 3 reindeer	800tn
Category 3 broiler	48 246tn
Category 3 broiler, fur industry	17 853tn

PRODUCTION FIGURES FINDEST PROTEIN OY

Category 3 porcine	21895tn
Category 3 feathers	726tn

TOTAL AMOUNT OF MATERIAL RECEIVED 173 322tn

ENVIRONMENTAL RESPONSIBILITY

Direct and indirect emissions

DIRECT (SCOPE 1) GREENHOUSE GAS EMISSIONS

ENERGY CONSUMPTION

Energy efficiency is an important part of the Honkajoki Group's production efficiency and competitiveness. We are committed to promoting energy efficiency and are actively working to improve energy efficiency in our operations. In 2019, we signed the Motiva's Energy Efficiency Agreement and thus committed ourselves to continuing to implement measures that further improve our energy efficiency. In 2019, we conducted an industrial energy audit at Honkajoki Oy's Santastentie unit. Findest Protein's energy audit will be carried out in 2020. We will decide on the implementation of the measures once we obtain the results from both companies and once we have established a long-term investment program. Honkajoki Oy's operations generate a lot of waste heat that cannot be utilized in our own operations. It allows to sell process waste heat to greenhouses in the near by area, who need heat all year round. Therefore, we take advantage area of industrial by-products effectively. We supply a total of 27,866 MWh of thermal energy annually.

ENERGY CONSUMPTION IN THE ORGANISATION - kWh / QUANTITY PROCESSED tn

PERIOD	2019
łonkajoki Oy, Honkajoki production plant, Finland	839,54
lonkajoki Oy, Kaustinen, Finland	1190,43

ΗΟΝΚΑΙΟΚΙ ΟΥ

THERMAL ENERGY CONSUMPTION

Purchased steam 85,605 MWh, of

which: Produced with peat	79 983 MWh
Produced with biogas	5 125 MWh
Produced with light fuel oil	497 MWh
Self-generated thermal energy 2,982 MWh, of	
which: Produced with heavy fuel oil	488 MWh
Produced with light fuel oil	322 MWh
Produced with liquified gas	2 172 MWh

FINDEST PROTEIN OY

THERMAL ENERGY CONSUMPTION

Peat	7 831 MWh
Liquified gas	2 021 MWh
Wood chips	13 000 MWh

TOTAL THERMAL ENERGY CONSUMPTION 22 852 MWh

TOTAL THERMAL ENERGY CONSUMPTION 88 587 MWh

FUEL AND DRIVEN KILOMETRES

The Honkajoki Group's operating area covers all of Finland except Lapland. The area includes tens of thousands of farms and slaughterhouses that provide us with our raw materials. We collect animal by-products from slaughterhouses and dead animals from farms and transport them to our production facilities. Transportation is always organized as quickly as possible after receiving the transport inquiry, as efficient collection minimizes microbial growth and promotes hygienic and safe handling of raw materials. It is also a key factor in by-product quality management.



	ΗΟΝΚΑΙΟΚΙ ΟΥ	FINDEST PROTEIN OY
CONTAINER TRANSPORTS FROM SLAUGHTERHOUSES	2 026 512 km	407 985 km
CONTAINER TRANSFERS FROM SLAUGHTERHOUSES, DIESEL	911 930 I	183 593 I
CARCASS COLLECTION FROM FARMS	1 522 355 km	-
CARCASS COLLECTION FROM FARMS, DIESEL	532 824	
FORKLIFTS AND TRUCKS AT THE PRODUCTION PLANT, DIESEL	30 000	4 960 I

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ENVIRONMENTAL RESPONSIBILITY

Honkajoki Group's total emissions from production

TOTAL EMISSIONS (SCOPES 1-3) - KG CO2 E

GLOBAL WARMING, DIRECT EMISSIONS / KG CO2 E

PERIOD	2019
Honkajoki Oy, Honkajoki production plant, Finland	36 160 884
Honkajoki Oy, Kaustinen, Finland	4 329 032
TOTAL	40 489 916

RESULTS, DIRECT EMISSIONS (SCOPE 1)

DIRECT (SCOPE 1) GREENHOUSE GAS EMISSIONS - kg CO2 e / QUANTITY PROCESSED tn

GLOBAL WARMING, DIRECT EMISSIONS / KG CO2 E

PERIOD	2019
Honkajoki Oy, Honkajoki production plant, Finland	254,69
Honkajoki Oy, Kaustinen, Finland	171,82

Disclosure 305-1, direct (Scope 1) greenhouse gas emissions. Direct emissions: heating and generator fuels, emissions from vehicles and greenhouse gas leaks into the atmosphere.

Note! Information on the calculation method and data included: The calculations include at least all Kyoto Protocol gases (CO2, CH4, N2O, HFCs, PFCs, SF6 and NF3) over a period of 100 years. Not all data sources disaggregate data by gas, and in such cases the calculation covers all greenhouse gases. Biogenic carbon data is automatically calculated when such data is available. Note that not all shipments contain biogenic carbon data.

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INDIRECT (SCOPE 2) GREENHOUSE GAS EMISSIONS

NETWORK ELECTRICITY CONSUMPTION

INDIRECT ENERGY (SCOPE 2) GREENHOUSE GAS EMISSIONS BY SITE

The method quantifies Scope 2 greenhouse gas emissions based on the average emission factors for energy production, including geographical locations and local, regional or national boundaries.

	CATEGORY	GLOBAL WARMING, DIRECT EMISSIONS kg CO2e	
2a	Electricity	2 672 327	
Disclo vehicle	sure 305-1: Direct (Sco es and direct greenho	pe 1) greenhouse gas emissions Direct emissions: heating and generator fuels, emissions from use gas leaks into the atmosphere	
PERI	OD	2019	

PERIOD	2019
Honkajoki Oy, Honkajoki production plant, Finland	2 257 376
Honkajoki Oy, Kaustinen, Finland	414 950

INDIRECT ENERGY (SCOPE 2) GREENHOUSE GAS EMISSIONS BY SITE - kg CO2 / tn

PERIOD	2019
Honkajoki Oy, Honkajoki production plant, Finland	16,99
Honkajoki Oy, Kaustinen, Finland	18,34

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OTHER INDIRECT (SCOPE 3) GREENHOUSE GAS EMISSIONS

WASTE BY WASTE CATEGORIES

There is no organic waste left at all from our operations, since we utilize all organic material effectively in our own or other actors industrial processes in our industrial ecosystem. Non-hazardous waste generated in our production, such as metal and wood waste, is recycled in accordance with environmental standards.

CATEGORY	WASTE kg	RECYCLING kg/a	INCONERATION PLANT kg/a	DISPOSAL kg/a
Conventional waste	185 200	55 200	-	130 000
Production and construction waste	53 420	-	53 420	-
Non-hazardous waste	238 620	55 200	53 420	130 000
Hazardous waste	760	-	-	760
TOTAL		55 200	53 420	130 760

Disclosure 306-2 (G4-EN23), waste by type and disposal method. If no disposal method is provided, the most common treatment method for each a waste fraction will be used instead.

Last year, the amount of production waste clearly increased at the Santastentie unit. The lime silo of the old treatment plant and used lubricating oil were transported for metal recycling from the factory area. As a result, the amount of waste increased, but it will presumably return to the 2018 level in 2020.

WASTE VOLUME - kg / QUANTITY PROCESSED tn

PERIOD	2019	
Honkajoki Oy, Honkajoki production plant, Finland	1,48	
Honkajoki Oy, Kaustinen, Finland	1,88	

EXEMPLARY TREATMENT OF WASTEWATER

Water is a critical component in our production. All water used in our processes is groundwater, which is possible thanks to Finland's abundant groundwater resources. We are constantly working to improve our water consumption to ensure the sustainable use of water resources. We are actively developing our wastewater treatment processes to reduce discharges into water and thus improve water quality.

Findest Protein Oy's wastewater is treated at the company's own water treatment plant in Kaustinen. In addition to Honkajoki Oy's own process and condensate wastewater, Lihajaloste Korpela Oy's wastewater is treated at Honkajoki Oy's wastewater treatment plant in the Kirkkokallio industrial area. We have a carefully designed in-house control system in place and we take daily samples from the water. We also have our own laboratory in the Honkajoki factory area where we perform routine analyses. In addition, an external accredited body carries out an annual assessment and submits a report on the operation and wastewater values of Honkajoki Oy's wastewater treatment plant. Wastewater treated at the Kirkkokallio treatment plant is discharged into the Karvianjoki river. In 2019, no water was diverted from the process to the sewerage system of the Honkajoki municipality or the environment. During 2019, Honkajoki Oy's wastewater treatment plant complied with the permit requirements given in the environmental permit, which are reviewed periodically, with the exception of specific phosphorus loads. The results of organic matter and nitrogen extraction achieved at the treatment plant are nationally outstanding. The achievement is emphasised by the exceptionally high nitrogen content and variable load of the incoming water. By enhancing the phosphorus extraction, the purification result would in all respects be excellent and a model example of the effective nutrient removal of challenging wastewater fractions.

	ΗΟΝΚΑΙΟΚΙ	FINDEST PROTEIN
Water consumption m ³	61 062	19 259
Process water m ³	47 104	5 027
Condensate water m³	92 373	14 516
Flotation sludge to biogas plant m ³	11 804	2 756

We have been able to reduce the total consumption of clean water at the Santastentie unit. At Kaustinen, on the other hand, we have seen a slight increase in consumption.

PERIOD	2019
Honkajoki Oy, Honkajoki production plant, Finland	0.46 t/a
Honkajoki Oy, Kaustinen, Finland	0.85 t/a

CLEAN AIR INCREASES WELL-BEING

The odour emissions and the operation of the odour gas treatment systems of the Honkajoki Group's production units were inspected by an external body in 2019. The measurements determined the amounts and concentrations of ammonia, volatile organic compounds and reduced sulphur compounds from different emission sources. In addition, olfactometric analyses were performed on the samples. The filter material of the biofilter of the Kaustinen production unit was renewed in summer 2019. Old peat was removed and replaced with a thicker layer of crushed peat. In the Honkajoki unit, the biofilter now uses screened crushed material as a filter material, which seems to reduce odour emissions based on the measurements.

Based on the results of odour emissions and reduced sulphur compounds, the plant's odour gas treatment systems work well and reduce odour nuisances in the environment. Based on the measurement results, the plant meets the conditions of the environmental permit.

TOTAL EMISSIONS INTO AIR t/a

	HONKAJOKI	FINDEST PROTEIN
Ammonia	0,101 t/a	0,102 t/a
NMVOC	24,248 t/a	1,853 t/a
TRS	0,025 t/a	0,013 t/a



Safe products build trust

We want to provide our customers with reliable and clean products. The products must be 100% safe and be exactly as they are marketed. Each batch is inspected and sampled in accordance with our in-house control plan and analysed in the laboratory. The products will not be delivered to customers until the results are confirmed. We have not withdrawn any batches during the past year.



THULTRY PROTEIN MEAL

Not for human consumption

PRODUCTS

High-quality end-products

Animal by-products are a great source of important nutrients when processed correctly. However, if not properly processed, they can be a vector for the spread of diseases. Animal by-products and products derived from them are therefore controlled by a number of different national and international regulations in the EU. In Finland, regulations concerning animal by-products are one of the strictest in the world. Regulation (EC) No 1069/2009 of the European Parliament and Council and its complementary Regulation (EU) No 142/2011 of the European Commission define the principles for the handling of by-products in the EU. The regulations aim at preventing epidemics and promoting general health and apply to all companies working with by-products in the EU area. The regulations on animal by-products set rules for handling by-products at different stages of the chain from collection to their use or disposal.

In addition, Finnish companies comply with the Animal By-Product Act 517/2015 and Decree 783/2015 of the Ministry of Agriculture and Forestry on animal by-products. These regulations facilitate the practical implementation of EU by-product regulations regarding the use and disposal of by-products and animal-derived products in Finland. The law also regulates the supervisory authorities and their functions. In Finland, the Regional State Administrative Agencies (AVI) oversee the compliance with by-product regulations in their own respective regions. AVI also evaluates how the monitoring of by-products have been implemented in municipalities. In addition, the Finnish Food Authority oversees operations of and grants operating permissions to processing plants. Ultimately, the veterinary inspectorates and meat inspectors of the Finnish Food Authority decide which by-product belongs to which category.

Animal by-products are divided in categories 1–3, of which category 1 has the highest risk materials. As category 3 has the lowest risk level, the by-products of this category have the most possibilities for further uses. All by-products should be processed separately in their respective cate-

gories. The full by-product classification includes all by-products derived from animals as well as leftovers from the meat and food industries. It governs, for example, how foodstuffs containing products of animal origin, by-products of imported animals and by-products of other than farm animals should be handled. The full classification can be found, for example, on the Finnish Food Authority's website.

Category 1 by-products can be used as raw materials only in products that are not used in animal feed, in contact with humans or spread on ground e.g. as fertilisers. Category 1 includes animals that have died naturally on farms and are collected through the carcass collection service. The collection service for animals that have died on farms (carcass collection) covers about 18% of the total amount of raw materials processed by the Honkajoki Group. In Honkajoki, category 1 fats are refined into raw material for biodiesel. Dry products are refined into fuel for power generation in large industrial co-incineration plants or in cement kilns. Category 1 raw materials are handled only in Honkajoki Oy's Santastentie unit.

Category 2 by-products are refined into protein products by heating and drying. The products are used to manufacture fur animal feed, and as they are also rich in nitrogen and phosphorus, they are well suited to be used in the production of organic fertilisers as well. Organic fertilisers are more easily absorbed into soil, last longer, and sustainably improve soil quality. Refined category 2 fats can be utilised in technical uses, and the majority are used for the production of biofuels.

Category 3 by-products are refined into protein products and fats for wider industrial use. The protein products are a nutrient-rich raw material for, for example, pet foods, which can also be produced using category 3 fats. In addition, fats are widely used, for example, in biofuels and cosmetics. Certain category 3 by-products can also be transported fresh to fur farm feed kitchens.

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Of the raw materials produced in the Honkajoki Group, category 1 protein meal has been delivered for disposal by incineration and category 1 animal fat sold abroad for the production of biodiesel. Category 2 and category 3 animal fats have been mainly supplied as raw material for renewable diesel and biodiesel. Category 2 protein meal has been used in Finland as a raw material for organic fertilisers and sold as such as a fertilizer abroad. In addition, category 2 protein meal has been used in Finland as a raw material for feed for fur animals. Category 3 meal has been sold as a raw material for pet food and animal feed to EU countries, Russia, South Africa and Finland.



IN 2019, ALMOST 2/3 OF HONKAJOKI GROUP'S PROTEIN PRODUCTS WERE EXPORTED. 90% OF THE FAT PRODUCTS WERE SOLD FOR FURTHER PROCESSING TO MANUFACTURE DOMESTIC BIOFUELS. ONLY ABOUT 10% OF FATS WERE EXPORTED, MAINLY FOR ANIMAL FEED.

PRODUCTS

Life-cycle assessment and carbon footprint calculations increase transparency

In 2019, we were among the first in the world to conduct a life-cycle assessment for the two most popular products. The life-cycle assessment report has been prepared by an external auditor in accordance with ISO 14040/44. We have been the first to calculate carbon footprints for poultry and porcine protein meal in accordance with this ISO standard. In addition to the life-cycle assessment of our own products, we wanted to look at the carbon footprint of alternative products, as this would enable us to create a more holistic perspective on emissions from feed protein production. The results confirmed our estimates and the importance of our work.

The calculations took into account the climate impacts required by the standard, which arise as a result of the production of the product. The calculations included stages A1: raw material procurement, A2: transportation to the manufacturing site, and A3: production. Energy consumption (module A1) has the greatest impact on emissions in porcine and poultry biomass processing. The environmental impact of production can be reduced by optimising the energy consumption of the production

process. By choosing products whose production is less energy-intensive and less harmful to the environment, everyone can reduce the environmental impact of different products.

Transport is the second largest source of emissions. The greatest impacts arise from the transport of raw materials to the factory. Emissions from the transport of materials collected from slaughterhouses are included in the calculations for the carbon footprint of the Honkajoki Group's end products. The mass of the raw materials and the transport distances affect the formation of emissions. As a result, the impacts of module A2 are very consistent with our inventory data analysis. However, the effects of logistics are small compared to the whole operation.

Packaging materials (module A3) are the third largest source of emissions in the processing of porcine and poultry biomass. The large woven polypropylene bags used in the industry have the greatest impact (75%) on packaging emissions. The impact of other processes seems to be small.

	PROCESSING AND PRODUCTION OF PORCINE BIOMASS kg CO2e/tn	PROCESSING OF POULTRY BIOMASS kg CO2e/tn
A1, A3: Energy	204	116
A1: Preservative chemicals	5	5
A3: Water	0,2	0,3
A3: Waste	0,7	0,4
A3: Disinfection chemicals	6	6
A3: Packaging materials	20	20
A2: Transport	20	28
A1 - A3 PRODUCT STAGE	254	174

The total processing emissions (A1-A3) show that the production of porcine protein meal at the Findest Protein plant is more environmentally friendly than the production of poultry protein meal at Honkajoki Oy's Santastentie unit. This is explained by the higher volumes of renewable fuels used in heat production at Findest Protein Oy's plant. Almost 88% of Honkajoki's heating fuels come from peat, while at the Findest Protein plant, the heating fuels mainly come from wood (76%). Peat has a high emission factor compared to wood or other non-fossil fuels. The results show that the Honkajoki plant's energy emissions are almost 1.7 times higher than at the Findest Protein plant. As can be seen from the figure comparing feed protein sources below, the major benefits arise when Honkajoki's end products replace soy protein produced outside Europe. In the light of current information, most of the available soy comes from outside the EU, which increases the negative environmental impact of imported soy. When we compare our products with alternative protein products that compete with animal protein products in the same market, protein meal produced from meat industry by-products appears to be more environmentally friendly in terms of climate impact than other alternative products on the market.



COMPARISON OF FEED PROTEIN PRODUCTS CO2-e/kg

COMPARISON OF FEED FAT CO2-e/kg



PRODUCTS

Product safety first

We actively monitor the quality of raw materials and products, and many different microbiological analyses are carried out on the products. Samples from our product line are taken daily, and each sales batch is carefully reviewed before dispatch. We comply with a monitoring programme, which defines, for example, the tests to be carried out, the analytical and sampling method used and the preventive measures taken. The high level of professionalism of our staff also plays a significant role, and we constantly invest in this by organising training and taking care of their well-being at work.

Our main task is to supply our customers with high-quality products that are demonstrably 100% pure and safe. It is a prerequisite for our operations and our strongest competitive advantage globally, and we want to ensure that our company has the highest possible expertise to produce products that meet the quality standards.

THE OPERATIONS OF HONKAJOKI OY HAVE BEEN CERTIFIED IN ACCORDANCE WITH THE FOLLOWING ISO AND EU STANDARDS:



MANAGEMENT SYSTEM

140<u>01:2</u>015

ENVIRONMENTAL MANAGEMENT SYSTEM

OHSAS 18001:2007

OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM

ISCC EU

INTERNATIONAL SUSTAINABILITY AND CARBON CERTIFICATION

PRODUCTS

The health of people, animals, and the environment is intertwined

Growing meat consumption has put pressure on the meat industry to intensify production. The largest meat-producing countries routinely use antibiotics in livestock farming, which has given rise to a strong debate in the media and among researchers about the consequences of the use of antibiotics and, in particular, the spread of superbacteria and viruses.

The use of antibiotics in livestock is common procedure in many countries. In Asia, America and Southern Europe, for example, antibiotics are used routinely to enhance animal growth and prevent diseases. Animals are also often more medicated than humans. For example, in the US, 80% of all antibiotics are used to treat livestock. The largest user of antibiotics is China, where antibiotics are used 40 times more per kilogramme of animal products than in Norway. In the Nordic countries, the use of antibiotics is low. The raw material used in Honkajoki Oy's poultry protein meal is 100% derived from Finnish broilers that have not been treated with antibiotics during their lifetime.

Researchers continue to debate how much the use of antibiotics in livestock care affects humans and the environment. The subject is a significant part of a larger problem, as the preventive and routine use of antibiotics accelerates the development and spread of antibiotic-resistant superbacteria. According to the World Health Organization WHO, at least 700,000 people die annually because of complications and diseases caused by resistant bacteria. Superbacteria are one of the greatest health threats of our time, and it has been predicted that the annual death toll could rise to 10 million deaths by 2050 if the use of antibiotics is not drastically restricted.

Studies have shown a clear link between human health and antibiotics used in the treatment of livestock. In the Netherlands, for example, antibiotics were used extensively to promote the growth of farm animals and prevent diseases in the 21st century. In the treatment of humans on the other hand, antibiotics were used on a very strict basis, but nevertheless the country's health care has struggled against antibiotic-resistant bacteria for a long time.

Even though much of the research and media discussions only address animal contact with humans or human food, it is also noteworthy that animal by-products are also derived from the same animals. Animal-derived raw materials are widely used in, for example, farm, fur animal, pet and fish feed. Bacteria are thus effectively distributed throughout society as well as the environment. In the Nordic countries, the use of antibiotics is low and strictly controlled in both human and animal care, but that is not the case in all parts of the world. That is why it is important to pay careful attention to where the raw materials we use come from, in both human and animal consumption.

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PRODUCTS



PROTEIN PRODUCTS

Honkajoki's protein products are used as raw materials in, for example, feed products and high-quality pet food.

- Low Ash Chicken Meal
- Poultry Protein Meal
- Porcine Protein Meal
- Bovine Protein Meal
- Reindeer Meal

FAT PRODUCTS

We produce first-class animal fats for the production of pet food, animal feed and biofuels.

- Poultry fat
- Porcine fat
- Class 2 animal fat
- Class 1 animal fat

Stakeholder responsibility

In 2019, we conducted an employee satisfaction survey and a customer satisfaction survey for some of our end-product customers. Understanding our stakeholders is in the Group's interests and crucial to our success. We also conducted a materiality assessment to assess the significance of the impact that the company's operations have on the surrounding society and the environment.

We engage in active dialogue with our stakeholders in the areas of our operations that are of interest to them in order to ensure that all actors receive up to date, relevant information quickly. We choose the means of communication based on the needs of each stakeholder group and the nature of the information. We are constantly working to improve our communication and particularly the Group's internal communication between all employees.



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STAKEHOLDER RESPONSIBILITY

Internal stakeholders

OWNERS AND PERSONNEL

In 2019, we conducted an extensive occupational well-being survey. We obtained a response rate of 65%. The survey covered the following areas:

- Strategy, objectives and operation
- Competence and work community
- Management and motivation
- Health and life situation

Honkajoki Group's NPS (Net Promoter Score) was 37.29. We strive to further improve areas that are at a good level, and we pay special attention to ratings that show a significant decline.

The number of accidents increased from the previous year. Of the total, one accident was serious and seven of the reported accidents were minor. We have reacted to this and introduced, for example, a new application aimed at anticipating risks, reducing accidents and improving working conditions.

ABSENCES DUE TO OCCUPATIONAL ACCIDENTS AND DISEASES



NUMBER OF CASES

	OCCUPATIONAL ACCIDENTS	LEISURE-TIME ACCIDENTS
In the period 2019	8	1
 In the reference period 2018 	6	2

THE NUMBER OF ABSENCES DUE TO WORK-RELATED INJURIES INCREASED.





SICKNESS ABSENCES IN HONKAJOKI

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ΗΟΝΚΑΙΟΚΙ

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SICKNESS ABSENCES IN HONKAJOKI

SICK LEAVE DAYS

One of our important goals has been to reduce the number of sick leave days in the Group, and we have succeeded in doing so in collaboration with occupational healthcare experts.



	2017	2018	2019
• Q1	33	22	37
• Q2	24	28	29
• Q3	24	23	23
Q 4	33	25	21

THE RATE OF SICKNESS ABSENCE HAS BEEN FURTHER REDUCED.

STAKEHOLDER RESPONSIBILITY

Customer experience

END-PRODUCT CUSTOMERS:

We conducted a survey among the customers of our poultry protein products. The main themes that emerged from the responses were product traceability and operational transparency, antibiotic-free production, and the security of supply. The overall rating on a scale of 1–5 was 4.2.

Our collection service customers can be divided into two main groups: Most of the raw materials collected for further processing are collected from the slaughterhouses of our contract customers. Slaughterhouse customers cover about 82% of all of our collections.

A smaller proportion, about 18%, consists of the collection of dead animals. We collect the animals from our customers' farms and other locations when the order arrives at the order centre. The cost-effective collection of raw materials from different locations is planned by the Honkajoki Group's own logistics department, which uses the HELOS software, created to meet the group's needs in logistics planning and monitoring.

We regularly collect feedback on our services. The speed and smoothness of the collection service and the customer's rating for the drivers have been at a commendable level.

STAKEHOLDER RESPONSIBILITY

Stakeholder cooperation

We cooperate with various authorities as well as other partners in the corporate sector. Legal operations and multi-sectoral cooperation with the authorities are the basic preconditions for our business. Active cooperation with research and educational institutions gives us perspectives for the future, and strengthens the Honkajoki Group as an innovative player that is able to maintain its position at the forefront of the circular economy. In the coming years, our aim is to strengthen the Honkajoki brand's presence in the global market in collaboration with various partners. We want to be involved in solving the challenges of the meat industry worldwide.

TOPICS RAISED BY THE STAKEHOLDER ANALYSIS

INTERNAL STAKEHOLDERS

- Strategy and communication of the internationalising Group
- Flexibility and equality in work practices
- Resource efficiency

END-PRODUCT CUSTOMERS

- Transparency and traceability
- High-quality end product

EXTERNAL STAKEHOLDERS & PARTNERS

- Ethical and safe business operations
- Innovation and pioneering

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THE TOPICS PRESENTED IN THE MATERIALITY MATRIX ARE CONSIDERED SIGNIFICANT OR VERY SIGNIFICANT.

Two dimensions. It has been clarified that an organization is required to identify material topics by considering the two dimensions of the principle: (1) the significance of the organization's economic, environmental, and social impacts – that is, their significance for the economy, environment or society, as per the definition of 'impact' – and (2) their substantive influence on the assessments and decisions of stakeholders. A topic can be material if it ranks highly for only one dimension of the Materiality principle.

Corporate responsibility reporting

Our sustainability report for 2019 (1.1.–31.12.2019) is dedicated specifically to the reporting of emissions and carbon footprint calculations. We are doing this for the first time and we will expand our reporting on emissions in the coming years. This will also allow us to monitor developments and changes and help us move towards carbon negative production and end products.



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CORPORATE RESPONSIBILITY REPORTING

Corporate responsibility reporting

The sustainability report has been prepared in compliance with the Global Reporting Initiative standards and the UN Sustainable Development Goals. The Group's previous sustainability report was published on 12 June 2019 and implemented at Core level. The scope of the corporate responsibility report 2019 is more comprehensive compared to the 2018 report. We have reported in more detail e.g. direct and indirect greenhouse gas emissions from our operations. This report has been prepared in accordance with the GRI Standards: Core option. The report has not been externally authenticated.

The themes discussed in the sustainability report have frequently emerged in discussions with our stakeholders. In the report, we respond to issues of interest and concern to our stakeholders, and we highlight the way we operate concerning these issues taking place in our environment. At the same time, we want to take part in the public debate on the importance of meat production and its environmental impact. The data has been collected from companies belonging to the Honkajoki Group.

We are committed to reporting on our Group's responsibility practices and to setting and monitoring targets for measures to promote responsibility annually. CORPORATE RESPONSIBILITY REPORTING

Management and finances on a stable footing

The company's management and staff are responsible for the development, approval and implementation of plans and operations to achieve the company's goals. In addition to achieving results, the way they are achieved is important. Therefore, all managers and staff are required to adhere to the business principles defined by the Group in its ethical policy. Our management is based on honest bookkeeping and truthful calculations, and we expect supervisors at all organisational levels of the Group to implement them.

THERE ARE NO IDENTIFIED CASES OF CORRUPTION OR DISCRIMINATION IN OUR COMPANY.

Ownership structure

HONKAJOKI OY, FOUNDED IN 1967

- Atria Oyj 50 %
- HKScan Finland Oy 50 %

FINDEST PROTEIN OY, FOUNDED IN 1995

- Honkajoki Oy 66,9 %
- Atria Oyj 33,1 %

GMM FINLAND OY, FOUNDED IN 2017

• Honkajoki Oy 100 %

HONKALEATHER OY, FOUNDED IN 2015

- Honkajoki Oy 45 %
- The Halkola family 55 %

REMSOIL OY, FOUNDED IN 2018

- Honkajoki Oy 60 %
- Private owners 40 %



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Organisational structure



CONTENT TABLE

GRI content table

The content of the sustainability report has been prepared in accordance with the 2016 versions of the GRI standards. Standards 303, 306 and 403 follow newer versions, a more detailed specification is provided below.

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GRI 201: ECONOMIC PERFORMANCE

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ΗϽΝΚΑͿϽΚΙ